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Washington Trust Bank

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON

In Re:

EASTERDAY RANCHES, INC.,  
Debtors<sup>1</sup>.

Chapter 11

Lead Case No. 21-00141-WLH11  
Jointly Administered

**DECLARATION OF CLAIRE M.  
BAKER IN SUPPORT OF  
WASHINGTON TRUST BANK'S  
OBJECTION TO REVISED FINAL  
ORDER AUTHORIZING DEBTOR  
EASTERDAY FARMS TO USE  
CASH COLLATERAL AND  
GRANTING ADEQUATE  
PROTECTION**

I, Claire M. Baker, hereby make the following declaration:

1. I am over the age of eighteen, competent to testify as to the matters set forth herein, and I make this declaration based upon my own personal knowledge.

<sup>1</sup> The Debtors along with their case numbers are as follows: Easterday Ranches, Inc., (21-00141-WLH11) ("Ranches") and Easterday Farms, a Washington general partnership (21-00176-WLH) ("Farms").

**DECLARATION OF CLAIRE M. BAKER: 1**

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1           2.     I am Vice President Special Assets Team Lead at Washington Trust  
2 Bank. I have been on the Special Assets Team at Washington Trust for 11 years.

3           3.     Since before and after the continuance of the March 8th hearing on a  
4 final cash collateral order, I have been engaged in numerous telephone calls with  
5 representatives of Paladin Management regarding a budget for Debtor Easterday  
6 Farms ("Farms").  
7

8           4.     During telephone calls I have been told numerous times by Paladin  
9 representatives that their line items for receipts and disbursement in the proposed  
10 budgets are "guesses" or "in the ballpark," or that they are "spit balling." As a  
11 result, I have no confidence in the figures set forth in the proposed budget.  
12

13           5.     For instance, during a phone call on March 15 I raised a concern about  
14 expected receipts from Washington Trust's collateral. In response to my concern,  
15 on March 18 Paladin provided me with a revised budget that reported  
16 approximately \$7 million more in receipts from collateral compared to the March  
17 15 budget. I questioned where the additional collateral or proceeds came from and  
18 was told that nothing in the budget is exact, but upon further review it appeared  
19 there was more collateral than initially estimated.  
20

21           6.     On March 15 I also questioned Paladin representatives about a  
22 proposed disbursement for "Feed – 3rd Party (Consumed & Not Paid)" because  
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**DECLARATION OF CLAIRE M. BAKER: 2**

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1 this appeared to be an expense for Debtor Easterday Ranches, not Farms. Paladin  
2 representatives could not explain how it was calculated, but said they were told  
3 they had to pay it because they filed liens. When Paladin provided me a revised  
4 budget on March 18, the amount was reduced by \$500,000 because Paladin  
5 representatives now thought there was less feed than originally estimated.  
6

7  
8 7. When I questioned the March 15 budget's disbursement to pay  
9 \$875,000 for "Real Estate Leases" I was told it was for storage, but it might not  
10 need to be paid if the stored crop was removed before the payment became due. I  
11 requested supporting documentation regarding the terms of the lease and was later  
12 told that the payment amount and date are based on an oral lease with Easterday  
13 Dairy, but was never provided a justifiable reason for the proposed date or amount  
14 of the disbursement.  
15  
16

17 8. In recent conversations, Paladin representatives requested Washington  
18 Trust to provide some DIP financing on the cash collateral Wheat Plan presented,  
19 in case there were timing issues with the receipt of funds. In response to a question  
20 earlier in the day about a budget expense, Paladin responded at 7:20 p.m. on March  
21 22 that they appear to have secured other DIP financing and were no longer paying  
22 the storage fee I questioned.  
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**DECLARATION OF CLAIRE M. BAKER: 3**

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1           9.     Since the outset of this case Washington Trust has received multiple  
2 versions of a budget extending from full crop production using DIP financing, to a  
3 25,000 acres all wheat plan requiring an additional \$16 million to fund, to a cash  
4 collateral plan for 12,000 acres with a smaller DIP financing request, to learning  
5 that Debtor will obtain DIP financing elsewhere. The wide swing in budgets and  
6 financing needs, Paladin's inability to timely or thoroughly answer questions  
7 regarding line items, and the changes in use of cash collateral have made it nearly  
8 impossible to understand or agree to a budget.

11           10.    On or about January 27, 2021, Washington Trust received from  
12 Easterday Farms a crop inventory report and based on that inventory report  
13 Washington Trust determined that the value of the crops and feed at that time was  
14 approximately \$40,780,289.00, plus accounts receivable.

17           11.    Based on the most recent budget provided by the Debtor, the ending  
18 cash collateral is \$24,792,000.00<sup>2</sup>.

20           12.    The Debtor proposes adequate protection in the form of two parcels of  
21 real estate. They claim \$14.1 million in equity in the Storage Complex, but that  
22 doesn't account for costs of sale, which are estimated to be 10 percent, leaving net  
23

24 \_\_\_\_\_  
25 <sup>2</sup> The ending cash collateral may be reduced by an additional \$5,450,000.00 if the  
26 Ranches unsecured creditors committee prevails on an argument that Ranches  
should no longer pay Farms for feed.

**DECLARATION OF CLAIRE M. BAKER: 4**

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1 equity of approximately \$12,600,000.00. Washington Trust places no value on the  
2 Cox Farm because the Debtor only has a minor fractional interest in that property  
3 and has no way to sell it without authority from several non-debtor individuals.  
4

5 13. Based on the forgoing, the adequate protection proposed by the  
6 Debtor is insufficient to protect the diminution in value of Washington Trust's  
7 collateral.  
8

9 14. In summary getting information from Paladin regarding the cash  
10 collateral budget has been a significant challenge. The receipt and disbursement  
11 figures they provide change with little or no explanation or supporting  
12 documentation. Based on the best information that Washington Trust has  
13 available, the net diminution in value of the bank's collateral, including the loss of  
14 the Ranches feed payments, is approximately \$21,000,000, for which Debtor is  
15 offering approximately \$12,000,000 in equity in the Storage Complex as adequate  
16 protection.  
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26 **DECLARATION OF CLAIRE M. BAKER: 5**

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1 I hereby declare under penalty of perjury of the laws of the State of  
2 Washington that the foregoing is true and correct to the best of my knowledge and  
3 belief.  
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5 EXECUTED this 23rd day of March, 2021, at Spokane, Washington.

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8 CLAIRE M. BAKER

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**DECLARATION OF CLAIRE M. BAKER: 6**

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